

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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Food has been in the press a lot lately. And, unfortunately, the news has not been good. In March, the Centers for Disease Control and Prevention (CDC) reported the combination of poor diet and lack of exercise was the second leading cause of deaths in the U.S. in 2000. The CDC estimates poor diet and lack of physical activity caused 400,000 deaths, which is slightly less than the 435,000 deaths attributed to tobacco. Many experts believe the former will replace the latter in the next few years as the leading cause of deaths in America. On March 10, the U.S. House passed the so-called "cheeseburger bill" that protects business from being sued for producing or selling food that contributed to a person's obesity. The bill recognizes it is not the food that is the problem, but what we do with it.

The food industry is truly one of this country's success stories. For most of history, civilizations struggled to produce enough food. Ironically, Americans' food problems stem from having too much of it. America boasts the world's most efficient agricultural producers. Although they make up just a small fraction of our population, farmers produce enough to feed our country and export to other countries. Indeed, the U.S. has been a net exporter

of food since 1959. While they are essential, farmers are just one link in the chain of our food industry. Other links include our multi-modal transportation system, food processors, retail food stores, restaurants, etc. Thanks to every link in the chain that gets food from the fields to our tables, Americans enjoy the world's most stable, diverse, healthy, and abundant diets.

Few people realize the cost of getting food to the nation's collective table.

Maybe it is because it is such a bargain. According to the United States Department of Agriculture (USDA), Americans spent about 10% of their disposable personal income on food in 2002, which is down from 25% in 1930. (It should be noted food includes both meals at home and eaten away from home.) The level of food expenditures depends on the items in our menu and who prepares them. In general, the more work it takes to get a meal to the table the more expensive it is. For example, a restaurant meal is more expensive than the ingredients for a comparable home cooked meal.

While it is tempting to blame farmers when the price for a box of cereal increases, it is probably not the farmer's fault. This is because

the price of raw food is just a small portion of our total food bill. In fact, it accounted for less than a fifth of the \$709.4 billion spent on food in 2002. Marketing the raw food accounts for the remaining food expenditures.

A detailed breakout of where each dollar spent on food goes is illustrated in the graphic prepared by the USDA. As already pointed out, just 19 cents of every dollar goes to the farm value of food. The largest component of the food bill is labor, which at 38.5 cents is twice the raw food cost. Packaging accounts for 8 cents of every dollar spent on food. There is a host of items that individually account for 3 cents to 5 cents of each food dollar. They are transportation, energy, profits, advertising, depreciation, rent, business taxes, and other costs. Interest and repairs each account for less than 3 cents per dollar.

A popular bumper sticker declares: The next time you eat, thank a farmer. This is good advice. But farmers are just a part of the nation's complex food industry. In fact, thanking everyone who had a hand in providing our food might take the time from breakfast to lunch.

Labor takes the biggest chunk of the food dollar



Graph Source: United States Department of Agriculture

DIRK KEMPTHORNE, Governor

**Division of Financial Management
700 W. Jefferson, Room 122
PO Box 83720**

Boise, Idaho 83720-0032 (208) 334-3900

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Brad Foltman, Administrator

Economic Analysis Bureau

Michael H. Ferguson, Chief Economist

Derek E. Santos, Economist

General Fund Update

As of February 29, 2004

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY04 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income tax	895.8	592.3	568.0
Corporate Income tax	100.1	52.3	44.9
Sales Tax	884.1	599.3	595.5
Product Taxes ¹	45.3	30.1	29.9
Miscellaneous	150.9	94.5	98.5
TOTAL GENERAL FUND²	2,076.2	1,368.5	1,336.7

1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
2 May not total due to rounding
3 Revised Estimate as of January 2004

General Fund revenue was \$12.9 million lower than expected in February, the third consecutive month revenues have been below the target this fiscal year. The weakness in February was concentrated in individual income tax refunds, and as such is not a cause for concern. Indeed, strength was evident in both individual income tax withholding and sales tax collections, although it was masked by the spike in refunds. On a fiscal year-to-date basis General Fund revenue stands \$31.7 million below the target.

Individual income tax revenue was \$15.2 million lower than expected in February. On the collection side, withholding collections were \$6.9 million higher than predicted and filing payments were \$1.3 million higher than predicted for the month. But refunds were also \$22.9 million higher than expected. As was the case last month, the larger than expected amount of refunds paid in February reflects the recent

improvements in tax filing technology and are not a cause for concern. Analysis of refunds paid to date suggests that the amount projected for the entire fiscal year is still solid, meaning that refunds should be substantially lower than normal in the months ahead. March is expected to be close to normal, and April through June is expected to be substantially lower than normal. February's strength in withholding collections is particularly encouraging, since it followed two months of unusually weak withholding collections. February's positive performance has brought year-to-date withholding collections to within \$1 million of the predicted amount. Filing collections were also encouraging, now ahead by \$3 million on a year-to-date basis.

Corporate income tax revenue slipped a bit (\$0.4 million) in February, essentially losing the ground that was gained in January. Filing payments were \$0.5 million above expectations, while

quarterly estimated payments were \$1.8 million lower than predicted. Refund payments were \$0.8 million lower than expected for the month.

Sales tax revenue rebounded smartly in February, coming in \$1.7 million higher than expected. This follows two months of quite weak sales tax performance, and brings year-to-date collections to within \$3.8 million of the predicted amount. One month is certainly not a trend, but February's result suggests that the weakness in December and January may have been seasonal in nature – i.e., a weak holiday selling season.

Product taxes were exactly on target in February. Miscellaneous revenues were \$0.8 million above target for the month of February. The strength was in the Insurance Premium and the Interest Earning.